

February 10, 2015

The Honorable Marvin Kleeb, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Kleeb:

SUBJECT: Fiscal Note for HB 2179 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2179 is respectfully submitted to your committee.

Under current law, reserves and leases for mineral interests are required to be listed with the register of deeds within 90 days after execution and would be voided if not listed for taxation. HB 2179 would eliminate this requirement and would retroactively validate any interests that were voided prior to July 1, 2015. The bill would void any interests that are not recorded after July 1, 2017.

The Department of Revenue indicates passage of HB 2179 has the potential to reduce property tax revenues by making it more difficult to value and track severed mineral interests. The current requirement to list reserves and leases for mineral interests with the register of deeds allows the county appraiser to discover and value severed mineral interests for property tax purposes. The Department of Revenue does not have data on the assessed valuation of severed mineral interests that would no longer be discovered and valued to make a precise estimate of the amount of reduced property tax revenue; however, the overall reduction to property tax revenues is estimated to be negligible. The bill would reduce the amount of property tax revenues that would be collected for the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would also reduce the amount of property tax revenue that school districts would receive through the state's uniform mill levy. The bill would also decrease revenues to any local government that levies a property tax. The bill would have no fiscal effect on the operations of the Department of Revenue. Any fiscal effect associated with HB 2179 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jody Allen, Tax Appeals
Jack Smith, Department of Revenue
Melissa Wangemann, Association of Counties